

HOUSE CS FOR CS FOR SENATE BILL NO. 218(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-EIGHTH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered: 4/19/14

Referred: Today's Calendar

Sponsor(s): SENATE FINANCE COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to financing; relating to the Alaska Municipal Bond Bank Authority;**
2 **authorizing the University of Alaska to issue bonds to finance the design, construction,**
3 **acquisition, and equipping costs of the University of Alaska Fairbanks heat and power**
4 **plant; authorizing the University of Alaska to borrow money from the Alaska Municipal**
5 **Bond Bank Authority to finance the design, construction, acquisition, and equipping**
6 **costs of the University of Alaska Fairbanks heat and power plant; and providing for an**
7 **effective date."**

8 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

9 *** Section 1.** AS 44.85.005 is amended to read:

10 **Sec. 44.85.005. Legislative findings.** The legislature finds that

11 (1) the rapid growth of municipalities in the state and the incorporation
12 of new municipalities has created a demand for capital improvements that can only be
13 met by these municipalities borrowing money through the issuance of bonds or notes;

1 (2) many of these municipalities, although creditworthy, either have
2 not issued bonds or notes or have little outstanding debt;

3 (3) the cost of borrowed money to these municipalities is or may be
4 unnecessarily high due to lack of investor familiarity with the municipalities;

5 (4) other municipalities in the state pay unnecessarily high borrowing
6 costs because of the distance of the state from capital markets or may find borrowing
7 difficult or impossible because of temporary economic dislocation due to loss of
8 employment or prospective loss of employment;

9 **(5) the University of Alaska has limited debt capacity and may pay**
10 **higher interest rates because of lower credit ratings.**

11 * **Sec. 2.** AS 44.85.010(a) is amended to read:

12 (a) It is the policy of the state to

13 (1) foster and promote by all reasonable means the provision of
14 adequate capital markets and facilities for borrowing money by municipalities in the
15 state to finance capital improvements or for other authorized purposes, to assist these
16 municipalities in fulfilling their capital needs and requirements by use of borrowed
17 money within statutory interest rate or cost of borrowing limitations, to the greatest
18 extent possible to reduce costs of borrowed money to taxpayers and residents of the
19 state, and equally to encourage continued investor interest in the purchase of bonds or
20 notes of municipalities as sound and preferred securities for investment;

21 (2) encourage municipalities to continue their independent
22 undertakings and financing of capital improvements and other authorized purposes
23 and to assist them by making capital funds available at reduced interest costs for
24 orderly financing of capital improvements and other purposes especially during
25 periods of restricted credit or money supply, particularly for those municipalities not
26 otherwise able to borrow for capital needs;

27 (3) assist municipalities to provide for adequate insurance coverage by
28 authorizing the Alaska Municipal Bond Bank Authority to issue negotiable or
29 nonnegotiable revenue bonds, notes, or certificates of participation either directly or
30 through an entity it may create for the purpose of providing a self-insurance program
31 for municipalities or municipal joint insurance arrangements organized under

1 AS 21.76;

2 (4) assist governmental employers to prepay all or a portion of their
3 share of unfunded accrued actuarial liabilities of retirement systems in an effort to
4 reduce their costs of satisfying their contractual obligations to provide retirement and
5 other benefits to public employees through the issuance of bonds, notes, commercial
6 paper, or other obligations by the bond bank authority or by a subsidiary corporation
7 created by the bond bank authority under AS 44.85.085, but only if the state bond
8 rating is the equivalent of AA- or better; this assistance is limited as provided in
9 AS 37.15.903;

10 **(5) assist the University of Alaska to provide heating or energy**
11 **projects by providing capital funds through loans that minimize costs and the**
12 **effects on the debt capacity of the University of Alaska.**

13 * **Sec. 3.** AS 44.85.090 is amended to read:

14 **Sec. 44.85.090. Limitations.** Under this chapter the bond bank authority may
15 not

16 (1) make loans of money to a person, firm, or corporation other than a
17 municipality **or the University of Alaska** or purchase securities issued by a person,
18 other than a municipality except for investment as provided in this chapter;

19 (2) emit bills of credit, accept deposits of money for time or demand
20 deposit, administer trusts, or engage in any form or manner in, or in the conduct of, a
21 private or commercial banking business, or act as a savings bank or savings and loan
22 association;

23 (3) be or constitute a bank or trust company within the jurisdiction or
24 under the control of a regulatory or supervisory board or department of the state, or the
25 Comptroller of the Currency of the United States, or the Department of the Treasury,
26 or Federal Reserve Board of the United States; or

27 (4) be or constitute a bank, banker, or dealer in securities within the
28 meaning of or subject to the provisions of securities, securities exchange, or securities
29 dealers law, of the United States or of this state or of another state.

30 * **Sec. 4.** AS 44.85.100(b) is amended to read:

31 (b) The bond bank authority shall include in the report required by (a) of this

1 section an estimate of the amount of revenue bonds of the bond bank authority to be
 2 issued during the fiscal year following the fiscal year in which the report is submitted.
 3 Other than refunding bonds and other than bonds, notes, commercial paper, or other
 4 obligations issued under AS 44.85.086, [AND] 44.85.180(a)(5), **and 44.85.180(e)**, the
 5 bond bank authority may not issue revenue bonds in excess of \$75,000,000 during any
 6 fiscal year beginning after June 30, 1981, unless the legislature, by law, approves the
 7 estimate required by this subsection for that fiscal year.

8 * **Sec. 5.** AS 44.85.180(c) is amended to read:

9 (c) Notwithstanding the provisions of (a) and (b) of this section, the total
 10 amount of bond bank authority bonds and notes outstanding at any one time may not
 11 exceed **\$1,500,000,000** [\$1,000,000,000]. This subsection does not apply to

12 (1) bonds or notes issued to fund or refund bonds or notes;

13 (2) bonds, notes, commercial paper, and other obligations issued under
 14 AS 44.85.086 or (a)(5) of this section.

15 * **Sec. 6.** AS 44.85.180 is amended by adding a new subsection to read:

16 (e) Notwithstanding (a), (b), and (c) of this section, the bond bank authority
 17 may issue its bonds or notes in principle amounts not to exceed \$87,500,000 for the
 18 purpose of making loans to the University of Alaska.

19 * **Sec. 7.** AS 44.85.410(4) is amended to read:

20 (4) "municipal bond" means a bond or note or evidence of debt that
 21 constitutes

22 (A) a general obligation bond that is a direct and general
 23 obligation of a political subdivision of the state, all the taxable property within
 24 which is subject to taxation to pay the bond, note, or evidence of debt, and the
 25 interest without limitation, as to rate or amount generally to the extent
 26 permitted by law or to avoid a default as provided for second class cities under
 27 AS 29.45.590;

28 (B) a revenue bond issued by a municipality, **the University of**
 29 **Alaska**, a solid waste management authority, or a port authority that pledges
 30 the revenue of a revenue-producing capital improvement and that is payable
 31 solely from the revenue of the revenue-producing capital improvement;

1 (C) a general obligation bond or revenue bond combined or
2 additionally secured;

3 (D) a bond of a borough issued as a general obligation of a
4 service area under AS 29.47.440 or former AS 29.58.340; or

5 (E) an obligation of a municipality secured only by
6 (i) special assessments on benefited property;
7 (ii) tax increments and a letter of credit or equal
8 security; or

9 (iii) a lease;

10 * **Sec. 8.** The uncodified law of the State of Alaska is amended by adding a new section to
11 read:

12 **LEGISLATIVE APPROVAL; BOND AUTHORIZATION FOR UNIVERSITY OF**
13 **ALASKA FAIRBANKS HEAT AND POWER PLANT.** (a) The University of Alaska may
14 issue revenue bonds under AS 14.40.254 and use the proceeds of the revenue bonds to pay for
15 the design, construction, acquisition, and equipping, including reserves for debt service and
16 capitalized interest and costs of issuance, of a new heat and power plant facility in Fairbanks.

17 (b) Regarding the project described in (a) of this section, notice is given under
18 AS 14.40.253 that

19 (1) the anticipated annual payment amount is \$5,600,000;

20 (2) the anticipated financing is \$70,000,000;

21 (3) the total construction, acquisition, and other costs of the project are
22 \$245,000,000.

23 (c) This section grants the legislative approval of the project required by
24 AS 14.40.253.

25 * **Sec. 9.** The uncodified law of the State of Alaska is amended by adding a new section to
26 read:

27 **LEGISLATIVE APPROVAL; LOAN AUTHORIZATION FOR UNIVERSITY OF**
28 **ALASKA FAIRBANKS HEAT AND POWER PLANT.** (a) The University of Alaska may
29 borrow money, not to exceed \$87,500,000, under AS 14.40.040(a)(5) by issuing revenue
30 bonds and entering into a loan agreement with the Alaska Municipal Bond Bank Authority to
31 pay for the design, construction, acquisition, and equipping of a new heat and power plant

1 facility in Fairbanks.

2 (b) Regarding the project described in (a) of this section, notice is given under
3 AS 14.40.253 that

4 (1) the anticipated annual payment amount is \$7,000,000;

5 (2) the anticipated financing is \$87,500,000;

6 (3) the total construction, acquisition, and other costs of the project are
7 \$245,000,000.

8 (c) This section grants the legislative approval of the project required by
9 AS 14.40.253.

10 * **Sec. 10.** This Act takes effect immediately under AS 01.10.070(c).